

AMENDED IN SENATE MAY 7, 2013
AMENDED IN SENATE APRIL 22, 2013
AMENDED IN SENATE APRIL 9, 2013

SENATE BILL

No. 526

Introduced by Senator Calderon

February 21, 2013

An act to add Division 9.5 (commencing with Section 22900) to the Financial Code, relating to lending practices.

LEGISLATIVE COUNSEL'S DIGEST

SB 526, as amended, Calderon. Commissioner of Corporations: lending practices: unlicensed activity report.

Existing law, the California Finance Lenders Law, provides for the licensure and regulation by the Commissioner of Corporations of licensees engaged in making consumer loans, as defined. Existing law requires these licensees to file an annual report with the commissioner concerning their business and operations. Existing law requires the commissioner to annually make and file with the department a composite of those annual reports. Existing law, the California Deferred Deposit Transaction Law, provides for the licensure and regulation by the Commissioner of Corporations of persons engaged in the business of originating or making deferred deposit transactions, as defined. Existing law requires a licensee to file an annual report with the commissioner. Existing law requires the commissioner to prepare an annual consolidated report based upon specified information received from licensees.

The Governor's Reorganization Plan No. 2 of the 2011–12 Regular Session provides that, on and after July 1, 2013, the responsibilities of

the Department of Corporations and the Commissioner of Corporations shall be transferred to the Department of Business Oversight and the Deputy Commissioner of Business Oversight for the Division of Corporations.

This bill would, on or before March 15 annually, require the commissioner to prepare a specified report on the lending and collection practices of unlicensed persons offering deferred deposit transactions or installment loans, or both, in amounts under \$2,500, over the Internet, to persons in California, and on the enforcement actions taken by the commissioner against these persons. The bill would also require the commissioner to post on the department's Internet Web site the company names and Internet Web site addresses of unlicensed lenders offering those deferred deposit transactions or installment loans without a license from the commissioner. The bill would also require the commissioner to accompany this posting with a consumer warning that alerts Californians to the unlicensed nature of the activities being conducted by these lenders.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Division 9.5 (commencing with Section 22900)
2 is added to the Financial Code, to read:

3
4 DIVISION 9.5. UNLICENSED ACTIVITY REPORT

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6 22900. (a) In addition to the reports required by Sections 22160
7 and 23026, on or before March 15 of each year, the commissioner
8 shall report on the lending and collection practices of unlicensed
9 persons offering deferred deposit transactions or installment loans,
10 or both, in amounts under ~~\$2,500~~, *two thousand five hundred*
11 *dollars (\$2,500)*, over the Internet, to persons in California, and
12 on the enforcement actions taken by the commissioner against
13 these persons.

14 (b) To the extent information is available, the commissioner's
15 report shall include all of the following for the prior calendar year:

16 (1) The number of unlicensed lenders identified by the
17 commissioner as lending in California during the prior year, and

1 the company names and Internet Web site addresses these lenders
2 used.

3 (2) The state or country in which each of these Internet Web
4 sites was hosted.

5 (3) The rates and terms offered by these lenders.

6 (4) The collection practices of these lenders.

7 (5) The extent to which these lenders complied with the
8 provisions of California law applicable to them.

9 (6) The enforcement efforts taken against each of the unlicensed
10 lenders identified by the commissioner during the prior year.

11 (7) Recommendations for changes to law that would improve
12 the department's ability to identify and take enforcement actions
13 against unlicensed persons lending in California over the Internet,
14 and to minimize consumer harm resulting from such lending.

15 (8) *The differential impact, if any, that these deferred deposit*
16 *transactions or installment loans, or both, have on low-income*
17 *borrowers.*

18 (c) Based on the findings of the report prepared pursuant to this
19 section, on the department's Internet Web site, the commissioner
20 shall on an ongoing basis post the company names and Internet
21 Web site addresses of unlicensed lenders offering deferred deposit
22 transactions or installment loans, or both, in amounts under ~~\$2,500,~~
23 *two thousand five hundred dollars (\$2,500)*, over the Internet, to
24 persons in California, without a required license from the
25 commissioner to engage in those activities. The commissioner
26 shall accompany this posting with a consumer warning that alerts
27 Californians to the unlicensed nature of the activities being
28 conducted by these lenders via these Internet Web sites.

29 (d) For purposes of this section, the following definitions shall
30 apply:

31 (1) ~~"Commissioner"~~ *"Commissioner"* shall mean the
32 Commissioner of Corporations.

33 (2) "Department" shall mean the Department of Corporations.